

China 2015: U.S. National Strategic Policy Now And Then

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U.S. NATIONAL STRATEGIC POLICY NOW AND THEN

by

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ABSTRACT

China in the year 2015 and beyond will be a major international power with the ability to influence world decision making bodies. We must examine the China of the future with the intent of determining a line of national policy and strategy the U.S. should incorporate in the present climate to affect the emergence of a China in 2015 most advantageous to regional stability and U.S. national interests.

The purpose of projecting a possible China of the future is to hypothesize several different political and military variants of the future China. The scope of this paper addresses current thinking (civilian and military) regarding the future capabilities and expectations of China, economically, politically, and militarily. Then after developing a model of common Chinese characteristics expected to remain or evolve by 2015, it compares current U.S. policy toward China against what it should be, based on the projected model.

This paper highlights a China in 2015 that is aggressive, accelerating industrially and militarily, and willing to claim what it believes is its rightful place around the table of great power nations. It features a country that may have only marginal civilian control over its military and will stay in line with conventional world ethics only as long as it suits the military direction of expansion and world influence.

The obvious impact upon the United States is the absolute necessity to plan for a future co-existence, politically, militarily and economically with this powerful country. The goal should be a well-thought-out strategy of engagement/enlargement; and the endstate should be China as an ally. Care should be taken to divorce emotional and humanitarian issues from political and economic realities and policies required to negotiate China into the industrialized world.

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CHAPTER I

INTRODUCTION

"We stand at a moment of immense democratic and entrepreneurial opportunities-the opportunity to consolidate democracy's recent gains, the opportunity to see democracy take root in new nations through out the developing world, and the opportunity for Americans to prosper along with other peoples as more nations are drawn into the global economy."¹ Yet..."we have come into the new era with relatively few ways to convince a skeptical public that engagement abroad is a worthwhile investment."²

Anthony Lake, National Security Advisor

One of the greatest challenges facing American National Strategy and Foreign Policy for the remainder of this century and beyond is to contemplate what China might become by the year 2015, and to respond accordingly -- starting now. While change is certain, the direction of China's evolution is not certain. Will she evolve to become domineering and hegemonic; an economically astute and non-confrontational China seeking "normal" world acceptance; "isolationist;" or something else. A China that rapidly progresses economically as she is, not only will contribute to global prosperity and growth, but will continue its current trend to develop its ability to project power and influence. A politically unstable and regionally fragmented China, driven by an autonomous, self-governed military would create severe problems for its own people, the Pacific region, and an increasingly interdependent world. It is of immediate concern that the United States take a long view toward China in the early 21st Century and take steps now to engage, enlarge and normalize relations to affect her emergence as the next world power.

What follows is an examination of trends in China as seen by U.S. military and civilian experts, as well as a Chinese perspective on the future of China. Several variants of a China in 2015 will be developed and common traits of the various best and worst cases will be determined as a basis for a policy that the United States could implement now to help bring about the development of a best case" China by 2015.

CHAPTER II

FORCES AND TRENDS AT PLAY INSIDE CHINA

"Our reform started in 1979...the socialist market we want to build is based on essential elements of the socialist system with *Chinese characteristics*, with public ownership and the principle of 'to each according to his work', building a market system under socialism is a new experiment...with no precedent in history."³

"The main goal of this 'Second Revolution' is to turn this underdeveloped, socialist country into a prosperous, strong, democratic, culturally advanced and modern socialist nation."⁴

Social -- Economic Trends

An economic reality is that during the 1990's alone, China must generate over 100 million new jobs and even more alarming is China's "urban floating population," said to number 100 million.⁵ Since most state-owned industries are overmanned, typically by as much as 400%, there is real pressure on the system to generate employment and to deal with the transition of the rural population from tilling fields to nonagricultural jobs. A second source of economic pressure on the system is the phenomenal economic growth rate which China has achieved in the last 15 years, averaging 8.6% GNP (13% in '92 and '93).⁶

"Since the advent of the reform period of 1980, China's economy has undergone a major structural transformation. The former closed Soviet-style, planned system of the Maoist period, marked by collectivized agriculture and heavy industrial production through huge state enterprises, has been gradually replaced by a highly decentralized, relatively open, and marketized economy increasingly keyed to the manufacture of light consumer goods for foreign and domestic markets and significant inputs of foreign capital, equipment and technology."⁷

With its exponential economic growth, and the population increasing 14-17 million annually, China's arable land area is diminishing, water and air pollution are rapidly spiraling out of control, and basic energy, food and water resources are a growing concern. Last year China became a net importer of oil and stands to surpass the U.S. in resource needs in the next decade.

The above trends identify a society wrapped in transition with several implications over the next 10 -20 years:⁸

- A danger of widespread social upheaval in the event of a weak, paralyzed government.
- Increasing incentives for governmental policies keyed to further economic reform.
- A more assertive and chauvinistic foreign policy that seeks to utilize the greater leverage provided by China's increasing economic, diplomatic, and military clout.

Predominant economic trends over the next 10 to 20 years will mirror those of the past decade:

- High national growth levels though major increases in private production, trade and investment largely from economic reform. Import-export volume rose from \$24 billion in 1979 to \$195.8 billion in 1993; jumping from 32nd place in world trade to 11th place.⁹
- Major decentralization of economic decision making and the emergence of significant levels of local government and enterprise autonomy over spending and investment. GNP, from 1979-1993, grew at an average rate of 9.3%, now stabilizing at 8.6%.¹⁰
- Rapid increases in personal income and savings levels. Between 1979-1993, average income of the urban population increased 6.3% annually, while rural income rose 8.5%.¹¹
- Explosive growth in foreign economic relations, leading to growing economic linkages with global and regional economies, especially in China's coastal areas.¹²
- By 2010, 80-90% of all Asian oil and gas requirements will be imported, largely from the Middle East...with China's energy imports rising five times or more above current levels.¹³

In a speech delivered in India, Deng Xiaoping stated his long term strategic view:

"China pursues a policy of reform and opening to the outside world, striving to become developed within a 50 to 70-year period.. .the general world situation is changing and all countries are considering the establishment of a new international order... hegemonism, bloc politics or pact organizations will no longer work."¹⁴

This is telling in that the U.S. tends to plan in the 1 to 5 year window whereas China puts goals in the context of the next 50 to 70 years. She is patient and can easily mask her 20 year intentions.

Political -- Military Trends

Jiang Zemin's grip on the PLA is weak. He is notionally in command of the armed forces as chairman of the Central Military Commission, but he does not command unconditional support. Moreover, military leaders appear to have increased their influence over foreign policy, as seen in the increasingly hawkish attitude towards the U.S. and Taiwan and in activities in the Spratly Islands.¹⁵ Central authoritarian control is breaking down and flowing like a lava mass out into the regional districts where "politically, four million village officials, who affect so much of daily life in rural areas, are elected by the people."¹⁶

There are several problem areas that create uncertainty about China's future. The first is the issue of succession, particularly in the short term. There is no agreed-upon, binding, and predictable rules by which the struggle for power is waged. "The existence of both conservative and progressive undercurrents in strategic thinking suggests that China's basic foreign policy approach *might* experience significant changes in the post-Deng period."¹⁷ Key is the commonly held belief that whatever individual or ideology in government emerges, it will not be able to centrally control China, as it has in the past, or return to a totalitarian political system. World economics will factor largely into foreign policy. China's post-1949 institutions, developed to create and manage a highly authoritarian political structure, are decaying and breaking down, although vigorously resisted by many in the Communist Party. This change and the building of new institutions is an unpredictable process that may at times turn violent. Coupled with those uncertainties is the issue of trying to identify a central figure and authoritative leader with whom to deal at the world political level, as local regional authority begins to dominate and possibly even fracture the whole. Although national disintegration, such as that seen with the Soviet Union is not likely, a regional, fractured China would be a global wild card in all dimensions.

Over the next 15 years China will develop a more unified leadership, but with internal tensions that will exhibit three major characteristics.¹⁸

- Movement toward a strongly pro-reform collective civilian leadership structure, striving for consensus, with the potential for significant internal splits, likely over economic policy.
- A serious imbalance in the distribution of power between the center and the periphery, threatening efforts by successor leadership to implement policy.
- A strong potential for increased and possibly adverse military influence over the civilian leadership, despite a trend toward military detachment from politics, accompanied by greater leadership support overall for more patriotic nationalist policies.

Additionally:

- The military will continue its aggressive modernization program, highlighted by the 1991-92 purchase of Russian SU-27 fighters, and further interest in Russian MiG 31 production technology, strategic missiles technology, mid-air refueling capability, an aircraft carrier, and airborne command and control systems.¹⁹
- China's growing military strength is and will continue to be a source of concern and a destabilizing influence in the region. Reports of transfers of China's nuclear technology to Pakistan, North Korea, Algeria and Iran, and of its missile technology to Saudi Arabia, Syria, Iran, and Pakistan are alarming to her neighbors, as well as the U.S., particularly in context of the lack of transparency over the Chinese national defense budget. In 1991 China was the sixth largest weapons seller in the world.²⁰

The new young "leaders after Deng will likely be technocrats with a stake in economic reform...they will have few differences on foreign policy issues, fairly narrow policy interests...and realize that the Chinese people are less tolerant of political or military ruthlessness and that China is too complex to manage in earlier more centralized ways."²¹

The long term trend for civilian leadership and the other remaining members of the revolutionary generation is for a period of potentially significant turbulence followed by the emergence of a relatively stable collective leadership structure. This will be due to an unprecedented level of policy consensus within the young bureaucratic-technocracy; the limited political and

organizational resources held by each member of the new elite; and the pressures on central leadership posed by increasing provincial and regional authority and the threat of widespread social disorder. Each member of the successor leadership almost certainly realizes that an open and paralyzing struggle among them could threaten the survival of the communist regime, and lead to their common demise. The shared political weaknesses of the successors, along with the highly fragmented and increasingly decentralized nature of the Chinese policy process, mean that any aspiring leader will almost certainly require support from a coalition of his colleagues, and the cooperation or acquiescence of many of the major party and state bureaucracies to attain and maintain power.²² This will necessitate making promises and generating rewards to a broad and diverse group of individuals and institutions, which will, in turn, require continued sound economic performance. These factors suggest that few incentives will exist for any leader to make sudden, major shifts in policy direction, or independently opt for personal support from the military or special groups within the officer corps. Either action in the post-Deng era could expose an individual or group to potential attack from colleagues, thereby eroding their original support base.

Other characteristics of political power in China undermine, and indicate the difficulty of maintaining, a collective structural form of leadership over the long term. This is due to the absence of an institutionalized process for transferring and wielding power, and China's long history of individual rule and the general emphasis in Chinese culture (and Communist ideology) on a monistic political structure. These features tend to negate or obstruct notions of trust among leaders, which may provoke a leadership struggle if one of them seeks to rise above his colleagues and consolidate a base of sole power.

The underlying trend, however, is that any decision for change will be based upon economic factors as they relate to internal stability and military modernization. External stability within the

region is of secondary importance. China's officer corps will likely provide significant support for a cooperative civilian leadership structure in Beijing. "However, unlike in the past, such support will derive from pragmatic considerations linked to the military's desire for continued economic growth and the maintenance of political and social order, not personal ties between military officers and party leaders"²³ The military have put off many modernization and procurement programs for the good of the economic present and the emergence of China as a world economic power.²⁴ Their farsightedness in this respect will eventually require a payback with a larger return on their modernization "dollar." This military support of civilian leadership initiatives over the next 10-20 years could easily change to extensive military *influence* over future policy agenda and direction, with few alternatives within the political process.

CHAPTER III

CHINESE NATIONAL INTERESTS AND FOREIGN POLICY

Basis for new Foreign Policy

The main long-term Chinese foreign policy objective will be to secure what Beijing sees as China's rightful position as a leading force in regional and global affairs. To that end China faces two primary challenges; first, to establish credible territory domination over what she sees as rightful claims to the South China Seas and Taiwan; and second, to create an economy that is capable of supporting the wide range of economic, political, and military options that will guarantee China a major voice in creating the new regional structure of security relations.²⁵

Underlying China's foreign security policy are three guiding principles:²⁶

1. To support the maintenance of stable but high growth rates through a deepening of market-led, outward-oriented economic reform; a reflection of fundamental reordering of traditional foreign policy priorities;
2. Maintain the defense of national sovereignty and unity;
3. The attainment of major-power status; and

four stated priorities for modernization:²⁷

1. Industry and economy;
2. Agriculture;
3. Science and Technology; and
4. Defense.

Since Tiananmen Square of June 1989 and the U.S. condemnation of the incident, China's conservatives have been on a mission to openly flaunt an Anti-American policy. This trend has increased since the 1991 Gulf War, which gave a compelling demonstration that the People's Liberation Army's (PLA) advantage in manpower could be turned into a liability in modern

electronic warfare....and amid fears in many quarters of Beijing that a self-confident "sole-superpower" America, devoid of its "Vietnam syndrome," would seek to push China around.²⁸

Fortunately, this underlying negative attitude among the older hard-liners has been largely ineffective in significantly redirecting Chinese foreign policy. Too many organizations and industry-related localities have developed a stake in the relationship with the United States to permit the adoption of an openly anti-American policy. The October 1992 Fourteenth Party Congress²⁹ showed in policy decisions, that its priorities continue to be economic modernization based on opening doors to foreign loans, investment, trade, and technology transfer.

Irrespective of the daily chaos of near term politics and saber rattling, China has identified eight basic tenets of global and regional policy. While some of these tenets were in effect before the reforms of 1980, most were articulated in various forms beginning at the Twelfth Party Congress of 1982 and have been under implementation since at least 1988:³⁰

1. Maintenance of a peaceful and global environment conducive to the successful implementation of domestic economic reform and defense modernization.
2. Reliance on the modalities of realpolitik, balance-of-power politics, and an avoidance of entangling alliances.
3. Continued significant levels of funding for conventional military modernization, aimed at the creation of a modern force structure and operational doctrine.
4. Efforts to sell both sophisticated and low-tech arms and arms-related equipment, including "big ticket" items such as ballistic missiles and nuclear technology.
5. Increased cultural, economic, and political interactions with Taiwan, combined with continued efforts to maintain the credibility of the possible use of force to reunify the country and to avoid the emergence of a "two China" situation.
6. Pursuit of a cautious but firm approach to the Spratly Islands issue.
7. Efforts to avoid either a nuclearized Korea or a rapid reunification of the peninsula through a sudden collapse of the North, combined with efforts to strengthen economic, political, and diplomatic ties with South Korea, both for developmental reasons, and in anticipation of its likely absorption of the North.

8. Increasing economic and diplomatic interactions with Inner Asia, to forestall a rapid and destabilizing expansion in Islamic fundamentalism originating from neighboring Muslim states.

In another forum, President Zemin has stated four principles for sound Sino-Western ties:³¹

1. Look toward the 21st Century and build stable long-term friendly relations and cooperation.
2. Respect each other and seek common ground while putting aside differences.
3. Engage in mutually complimentary and beneficial cooperation so as to promote common development.
4. Strengthen consultation and cooperation in international affairs.

Many Chinese political figures have gone to great lengths to express and couch, in terms designed to soothe Western thinking, a stance of stability in foreign policy. An example of this is the August 1993 White Paper where China affirmed that peaceful reunification is its policy with respect to Taiwan unification. The current rationale of China's "independent and peaceful foreign policy" is that in the relatively threat free, new world environment, China sees a ..."rare and important opportunity for China's economic development. Chinese leaders adopted a guideline to direct the government's work: 'Seize the opportunity, deepen the reform, widen the openness, promote development and preserve stability.'"³² In this light, in a further attempt to display China's openness and sincerity in its dealings with other countries, publicity is constantly given to Deng Xiaoping's pursuit of "*The Five Principles of Peaceful Coexistence*;" mutual respect for territorial integrity and sovereignty; mutual non-aggression; non-interference in another nation's internal affairs; equality and mutual benefit; and peaceful coexistence.³³

These basic tenets of foreign and security policy form the yardstick or "the norm" with respect to judging Chinese adventurism in the arena of world politics. Admittedly, many of the official positions appear to cater to "what the outside world wants to hear," vice their actual actions.

However, most of the disconnect between what the world sees as an international situation (i.e., Taiwan annexation, Spratly Islands issue) violating China's own stated foreign policies, China sees as purely domestic issues and considers that her positions are totally in line with stated policies, both domestic and foreign.

Primary Objective -- Economic Reform and Real Growth

China will continue to place as the #1 priority, domestic economic and political reform, Since 1981, when the goal was set by Deng Xiaoping and the Chinese leadership to quadruple the GNP between 1980 and 2000, China's GNP has averaged over 9% annual real growth vice the required goal of 7%.³⁴ To do that the PLA has voluntarily taken a back seat with respect to budget and modernization, realizing they would benefit in the long run from a position of economic strength. China and the PLA saw no immediate threat to mainland sovereignty; hence the PLA's willingness to take a temporary backseat in budget priority. Arguably the PLA's significant ventures into business enterprises have more than offset their reduced "official" budget, which is ambiguous and difficult to determine. It is estimated to be many times that publicly declared, largely from their own entrepreneurial activities.³⁵ Estimates range from the Chinese published budget of \$6 billion to \$39 billion by the Pentagon, \$50 billion by Harry Harding, and up to \$120 billion by some of the U.S.-China special interest committees.³⁶

"By the early 1990s, 70% of China's defense industry production were civilian goods -- from 'Lotus Petal' beauty cream to 'Galaxie' electronic computers. The first Chinese company to register on the New York Stock Exchange was 26% owned by the PLA. In February 1993, the PLA opened its own economic development zone in southern China, luring foreign investors with the promise of preferential treatment.³⁷

Prior to reform in 1977, China's total trade was less than \$15 billion, ranking 30th as an exporting country. By 1993, China's total trade had reached nearly \$200 billion, accounting for 2.2% of all world trade and rose to the world's 10th largest exporting country, with the expectation

of becoming 2nd largest, surpassing Japan, in the next ten years.³⁸

China has made significant investments in Japan, the U.S., Taiwan, Russia and others, seeking to garner return foreign investments. This has paid off, as her open economic coastal areas have seen an explosion in growth and capital. U.S. exports to China have grown from \$800 million annually in the early reform period to nearly \$7.5 billion with an additional \$4-S billion in direct investment contract dollars, up from \$470 million in 1983.³⁹

Secondary Objectives -- Defense of National Sovereignty/Attainment of Major-Power Status

The twin traditional goals of Chinese security policy, defense of national sovereignty and attainment of major-power status, will continue to exert enormous influence over strategic thinking. Although the PLA's modernization efforts have temporarily dropped in priority, their unspoken position of importance and even dominance is well understood; as is the inevitability of eventually placing national defense issues as the #1 budget priority. While many economic reform purists and business elites regard economic development as intended to create a stable and prosperous society, the military leadership and conservatives merely view it as a necessary evolution in the attainment of the real goals: China's credible strength in national defense, regional dominance and great-power aspirations.

The PLA has made a notable shift in doctrine and strategy towards a force tailored for low-intensity conflict scenarios around China's periphery.⁴⁰ However, despite the military's desire to build rapid-deployment forces, a blue-water navy, and improve its power-projection capacity, the current quality of weaponry remains 20-30 years behind the state of the art.⁴¹

Implications for Chinese Foreign Policy

China does have real security concerns that affect her foreign policy. After 150 years of what they see as humiliation, China is very cautious over territorial issues, watches the world situation

soberly and still feels some inevitable threat to China's security. Her main concerns are the encroachment on the "One China" commitment from major powers (reference Senator Dole's comments regarding his support for a seat at the UN for Taiwan, last year's visa fiasco over President Lee Teng-hui's U.S. visit to Cornell, the U.S. sale of 150 F-16's to Taiwan, etc.). One thing is clear, "China will never tolerate Taiwan, an inalienable part of China, to separate from its motherland."⁴² Additionally, China recognizes the region is far from tranquil and other territorial disputes will flare up. With the disintegration of the Soviet Union and the failure of socialism in Eastern European countries, "China naturally became the focus of the enlargement of American democracy.. the policies of the American conservatives were regarded as interference in China's domestic affairs and an indication of U.S. hegemony and power politics."⁴³ Many Chinese political analysts are concerned that American intervention and pressure could put China's political stability and economic reform initiatives in jeopardy. These analysts emphasize the official stance of China, as stated by President Jiang Zemin:

"It (China) is devoting its efforts to create an international environment of durable peace and stability. China's objective is peace and development. It is resolved to safeguard its independence and sovereignty against foreign interference, stands for the peaceful settlement of international disputes and opposes hegemonism and power politics of all forms. It is actively promoting good-neighborly and amicable relations with all its surrounding countries."⁴⁴

The identified political, military, social and economic trends present the framework for China's foreign policy stance over the next 10-20 years. Future continuity through perpetuation of the eight major policy strategies is the most probable course of action in the context of current and future policy making decisions. The eight areas overall suggest the basis for a cautious and pragmatic approach in China's dealings with the West and others in the Pacific region.

CHAPTER IV

CHINA OF THE FUTURE

Possible Characteristics of China in 2015

The consensus among several prominent China scholars⁴⁵ looking out 10-20 years is that China's most likely future will be continued economic reform and weakened authoritarian central leadership, with a possible evolution toward some democratic reforms, and eventual emergence, though not without incident, into world markets and acceptance. Though not a unilateral "hegemon," China at the same time claims the whole NE and SE Asia regions as hers, therefore making any move into neighboring territory merely a domestic issue. She will make no apologies for evolving into neighbor's spheres of influence and taking over. The military will not take a back seat to economic reform if their needs are not being met. This could lead to an aggressive participation in foreign policy by the military. There will develop a balance point in the future where China will likely stop her aggressive overtures to attain international acceptance. That point will likely be just before strained foreign relations totally breakdown. It is not likely she will invade Taiwan unless forced to in order not to lose face though a declaration of independence by Taiwan. China sees herself as regaining major power status, rather than as achieving it for the first time. Timely and coherent U.S. actions can bring about the emergence of China as a responsible Asian power.

Two notable exceptions to the above consensus of a fairly moderate, even rosy outlook are from Gregor (UC Berkely) and Kelly (Pacific CSIS), who firmly believe that China currently views us as an enemy who will eventually attack her and misinterprets our engagement policy as a containment policy. China believes we are oppressive in all of our actions and initiatives; that the U.S. is interfering with Chinese regional policies, rather than accomplishing any productive good, vis-à-vis the spread of democracy and economic prosperity. Dr. Gregor states "China is a hegemonic

culture and will continue to overtake land containing natural resources it requires rather than import them."⁴⁶

China's own intelligencia of specialists and strategic thinkers are divided among three schools of thought regarding China's current and future security environment:⁴⁷

- A mainstream, balance-of-power, realpolitik approach that combines suspicion of the U.S. with a recognition of the need for continued cooperation with the West and maintenance of a placid regional environment.
- A more conservative variant that stresses increased regional turbulence and uncertainty and Western hostility toward China.
- A distinctly minority non-mainstream view that recognizes the importance of global interdependence and the need to qualify the realpolitik approach for a more cooperative approach to the West and participation in emerging multilateral forums.

Additional possible characteristics

- The government currently operates 100,000 state-owned industries in an inefficient manner (400% overmanned and 55% run at a deficit, creating a 40% drain on the national budget), which will likely continue for the next 10-20 years to stabilize the hordes of unemployed rural peasants as they slowly migrate into industrialized jobs.⁴⁸
- The new political elite are composed of young bureaucrats that have attained a highly technical skill and education, generating a class of technocrats with no military experience, who stand positioned to garner key political strongholds.⁴⁹
- Deng's passing will usher in a period of collective leadership that will persist for a number of years, and during which individuals will jockey for position until one is able to gain power...it is unlikely this process will produce changes in domestic or foreign policies.⁵⁰
- It is unlikely that Communist rule will be replaced by a democratic regime after Deng's death, but that China will exercise more consensus in decision making among the new leaders and implement more comprehensive political and economic reforms, along with periodic adjustments and occasional retreats.⁵¹
- "Although a return to a centrally planned economy and a totalitarian political system is highly unlikely - it is possible that China will witness a protracted period of 'neo-authoritarianism.'"⁵² This would be led by the new generation of Party officials who fear the turmoil that might accompany political reform.

- Neither the geographical disintegration of China nor the overthrow or collapse of the central government seems likely. Instead, it is more probable that there will be less coherent governance, little progress towards the creation of responsive political institutions, a rise in corruption, and an increase in both crime and social unrest.⁵³
- Some form of regionalism is likely to develop in lieu of total disintegration. It would be a loose federalist type of situation - a negotiated redistribution of political and economic authority between regional and central powers.⁵⁴
- Despite its acquisition and construction programs, China is still deficient in advanced technologies and quite limited in its power projection capabilities. Even within the military it is acknowledged that the PLA is still quite backwards. For the next decade, the PLA, even with its superior numerical advantage, will likely represent only a limited threat.⁵⁵
- Domestic imperatives will encourage China to pursue moderate foreign policies designed to avoid confrontations that might upset regional stability. A more confrontational foreign policy would endanger economic progress, with dire consequences for the Beijing regime. More than 80% of prices in China are now set primarily by market mechanisms.⁵⁶

Possible Future Scenario -- Most Likely Variant

The most likely scenario for China in the next 20 years is a path of cautious engagement with the rest of the world. China will use its eight tenets of foreign policy as a guiding standard, and will test the outer limits of the resolve of other countries, both regionally and those with whom she trades internationally and expects support. She will gradually expand, show her teeth and attempt to push the other world powers as far as possible regarding human rights, the Spratly Islands issue and particularly Taiwan. Although China will attempt to carve out her position, she will back off just short of armed conflict or serious rift in international economic relations in all dealings other than a declaration of independence by Taiwan. This approach recognizes the importance of a comprehensive security strategy that includes political and economic means, not just military power.

From the above characteristics I see the primary features of the most likely China to include:

- China will continue an even more aggressive open-door foreign economic policy due to the belief that China faces no pressing external military threat.
- Seek stability on the Korean peninsula. Opt for a unified Korea stance.

- Expand economic and diplomatic ties with all Asian states, including Japan. Seek primacy in *reasonably* good relations with the United States, but relations will be strained.
- Seek strategic leverage and independence of action through the balancing and manipulation of economic, diplomatic and military relations among both major and emerging powers.⁵⁷
- Cultivate closer political and economic ties with potential rivals of the United States (i.e., Japan, Russia, and Germany) in order to cultivate regional leadership.
- Diplomacy will be characterized by a flexible, possibly conciliatory and often expedient approach on the surface that may mean nothing with regard to actual commitment
- Develop common interests with most Third World and Asian states, to raise China's global stature and increase Beijing's bargaining leverage with the United States and Japan.
- Support full resumption of official political and military dialogue/exchanges with U.S. and Allies combined with limited concessions on major U.S. concerns; such as human rights, arms sales, and fair trade practices.
- Continued significant levels of military funding to maintain credible threat of force to negate uncertain future postures of the U.S., India, Japan, ASEAN states, and Taiwan.
- Augment both military and government revenues with arms sales. Exercise diplomatic and strategic leverage against the U.S. and regional antagonists. Extreme action to be avoided when it jeopardizes regional stability, but sales will continue in spite of U.S. denunciation.
- Attempt to "absorb" Taiwan peacefully through a convergence of economic and political inevitability. This theme of Chinese sovereignty will carry over to a position of strength and insistence regarding the Spratly Islands issue as well. Peaceful settlement will be stressed for now, with "prolonged disagreement and occasional confrontation between ASEAN claimants"⁵⁸ rather than armed conflict.
- Seek a temperate external environment conducive to economic reform. Engage Islamic trade, create calm on western borders, avoid isolating fundamentalists within China.

Bottom Line. "The strongly status-and power-oriented nationalistic impulses motivating certain core elements of China's strategic approach will probably be restrained by the imperative of maintaining continued high levels of economic growth through outward-oriented, market-led reform, at least over the medium term (i.e., 5-10 years). This implies a continued, balanced Chinese approach toward the United States in particular, combining elements of both cooperation and competition, along with a generally risk-averse stance toward potential troublespots in the Asia-Pacific region. Such an approach provides few incentives for significant levels of adverse Chinese behavior toward the region beyond those that currently exist, e.g., problems or tensions over arms and technology sales, market access, and territorial issues."⁵⁹

Although this is the commonly held assessment, *over the long term* the PLA will become a more visible and unpredictable variable. Certainly the views above of the most likely traits assume an expanding and ever-increasing dominant power, yet in its early stage of growth. 20-30 years of growth, particularly the uncertain political role of the PLA, could seriously upset the apple cart. The most likely form of adversity to emerge over the long term is for Beijing's aggressive growth to be misunderstood by regional powers, particularly with the propensity for the military to lack transparency in their motives and budget. This could snowball an arms race within the region, and even with the United States, causing significant diplomatic instability. However, misunderstandings are a manageable form of adversity, as it occurs over time and only if nothing is done in its infancy.

Possible Future Scenario -- Most Dangerous Variant

- Turmoil over Deng Xiaoping's successor's leadership - forced to accommodate the military in return for support. Foreign policy paralysis, confusion, misinterpretation.
- Conservative nationalistic sentiments override economic reform movement. Nationalism grows and a return to inward, "neo-authoritarian" rule. Net effect is the growth of an aggressive China committed to regional dominance and a recovery of "historic birthright" regional territories.
- Political decay as a result of reform stagnation over the growing contradiction between a pluralistic economy and a monolithic political system and a relative lack of mass politics experience among the new, young elite.⁶⁰
- Major increases in the number of senior military officers holding party positions.
- Major reduction in China's willingness to maintain cooperative relations with the West.
- Increased military influence in politics directs larger defense budgets and accelerates blue water Navy and ability to project regional power.
- Use of increased power projection and economic clout to intimidate actions of smaller states, including Korea, and ASEAN countries.
- Increased challenges to U.S. interests and policies, e.g., human rights, intellectual property rights, WMD, counterproliferation, Taiwan, Korea and Japan.

- Willingness to risk armed conflict to assert domestic "One China" sovereignty over the Spratly Islands, Taiwan and western borders.
- Fiscal crisis causing explosive military sales and aggressive military business practices. Defense growth takes precedence over domestic economic growth.
- Increased sales of expensive arms (associated with economic breakdown), e.g., ballistic missiles and nuclear technology to fund military modernization efforts.
- Fragmentation of economic regions. This could unleash strong forces. Most likely the military would step in to hold the weak, decentralized government together, establish martial law, turn inward in an aggressive, isolationist manner. Eventually nationalism would expand, turning all Chinese against the outside world for bringing the evils of democracy and free markets into China for subversive intentions.

The catalyst to these negative traits unfolding is largely the issue of leader succession to Xiaoping and how long that takes coupled with any battles between the old hard-liners and newer isolationist-conservatives versus the more moderate forward-looking reformists. How that plays out will greatly affect the role of the PLA in the short and mid-term scenarios. Any perception by the PLA that their interests are backseat and near-term economic agendas are not getting them what they want, will bring them to the fore of foreign policy. Conversely, a form of government emerging that required accommodation for PLA support will be its own undoing the more modern the PLA becomes; for the PLA will eventually (15-20 years) decide to exercise its own hand at foreign policy, simply because it can.

Commonalities of all Variants

- China will continue to misinterpret U.S. engagement policy and regional intentions as containment and stagnation, causing significant fluctuations in Sino-US. relations. "With a few exceptions, the vast majority of 'American Watchers' in China do not understand the United States very well. ..the supposedly best informed Chinese specialists on the U.S. are either ignorant or critical of America, or both."⁶¹
- China does not believe there is any immediate threat to her position or sovereignty. She judges the U.S. as a threat, but not likely to invade the mainland. She views the U.S. as executing a policy of containment, which is by nature threatening, with a desire to stifle growth in an effort to keep her down as a regional and international power.

- China will likely use her increasing power projection and economic clout to intimidate other regional powers in the formulation of their domestic and foreign policies.
- Continued significant economic growth rate, minimum 6% GNP in the long term; this would be reduced somewhat in an "aggressive China" scenario due to inevitable world trade sanctions, resulting in economic slowdown followed by social unrest.
- Continued significant funding levels for military buildup and modernization. As economic growth solidifies China as a world power, military modernization will come even more to the fore. In an "aggressive" or "isolationist China" variant, spending levels would accelerate, become even more transparent, and modernization would revert back to its traditional role as the #1 priority, replacing economic reform.
- China will never acknowledge the Spratly Islands, Taiwan, or other "historical" territories as an international issue. China will continue to feel justified in dealing with these "domestic" issues as she sees fit, in the face of international condemnation.
- Although central control of government remains in each variant, the trend in any situation is to a less centrally controlled government, both over domestic matters and foreign policy issues. A consensus government will evolve, first with socialist inclination, and over 20-30 years, even a democratic process could emerge.
- China will be able to divorce foreign policy impasses from economic trade goals. She will continue to aggressively develop economic trade relations with all countries.
- China must be couched in a jaundiced view in any negotiated position, whether it be promises to improve human rights, honor intellectual property rights, cease sale of nuclear technology and cruise missiles, etc. Until she emerges as a responsible world power, China cannot be trusted to unilaterally hold to any agreed position or interpretation.
- China will seek to reduce all Western presence and influence in the Pacific Rim, as she assumes the role of the defacto leader. As she builds up economically and then modernizes militarily, to the status of a world leader, China will tacitly approve of U.S. presence in the mid-term (5-10 yrs) to ensure the complacency of Japan (so Tokyo does not begin an arms race) and as a stabilizing influence with respect to Korea.
- The PLA will continue to subsidize the official military budget and continue to modernize at its own determined rate. The incentives are too great, the legal system encourages it, and the government views it as a reprieve or alternative to the drain on the national budget.

"Our purpose in starting a company was to increase the financial capacity of the Army.. I was an army man - an army intellectual - when I had the idea to start a factory, and I am still an army man."⁶²

Zhao Xinxian, President, Sanjiu Enterprise Group (1st PLA Corp.)

CHAPTER V

NATIONAL INTERESTS IN THE ASIA -- PACIFIC REGION

Asian Reactions to China

The main beneficiaries of China's emergence as a major trading power will be the newly industrializing economies of Hong Kong, the Republic of Korea, Singapore, and Taiwan. Japan is a beneficiary so long as China emerges with trade and prosperity on her mind. At the same time these same countries compete with China for export markets and so walk a fine line of appeasement and cooperation with Beijing. China has already made significant inroads in attracting foreign capital. "More than 1/3 of the estimated growth in net flows of foreign direct investment in 1991-1993 went to China."⁶³ An example of the SE Asian countries reluctance to stir the pot over any contentious issue with China is crystal clear in their collective response to the recent missile tests in the Taiwanese Straits. No country has criticized China and most of SE Asia has made overt attempts to appear distinctly neutral. Even countries like Vietnam and the Philippines, which have territorial disputes with China over the Spratlys, and do a significant lucrative business with Taiwan, refrained from outright condemnation of the missile exercises. Thailand's foreign minister, Kasem Kasemsri, went even further and stated "When a country conducts military exercises on its own territory to deter its province from breaking away, would you oppose it?"⁶⁴ There is evidence in Asian countries of governmental attempts to block such groups as Amnesty International from issuing negative reports about China on issues such as human rights abuses. Several countries even criticize the U.S. for its stand on human rights and intellectual property rights as needlessly attacking China. This support comes primarily from countries which 1) also have a poor human rights record, i.e., Indonesia and Burma, or 2) fear that a strong China of the future may seek realignment of territorial borders at their expense. China is viewed as a power requiring appeasement now, in light of eventual

U.S. diminished influence and presence.

America's ability to influence behavior in the Pacific will steadily decline. The three Chinese societies of China, Hong Kong and Taiwan are becoming surprisingly intertwined and dependent upon one another. Hong Kong and Taiwan account for 70% of foreign investment in mainland China.⁶⁵ With economic inter-dependence, the U.S. will find it difficult to impose sanctions on Beijing, particularly over human rights, for fear of harming the commercial and political interests of the two smaller societies. Given their interests in a stable and prosperous China, neither Hong Kong nor Taiwan will enthusiastically support American strong-armed attempts to promote rapid political change.

China and Vietnam, with historic long-term disputes, have recently concluded positive negotiations on several long-standing bilateral trade issues. Additionally, in Indonesia, President Soeharto and Chinese President, Jiang both recently agreed it was "unrealistic for anyone to restrict the economic growth of developing countries by raising the causes of human rights and the environment,"⁶⁶ ...and agreed on a mutual investment promotion and a memorandum of understanding on scientific cooperation. It is China's tactic to approach individual countries with bilateral agreements particular to their situation, even if it is divergent with policy entered into with another country. China is creating a web of bilateral assurances not linked to third nations. These require loyalty from each country to China, and form almost a "satellite" relationship with each of the contracted governments. The only counter to these negative arrangements are multilateral arrangements such as ASEAN and the ASEAN Regional Forum (ARF). "Most Asians see the U.S. as an important regional 'balancer' against hegemony, but there is a growing perception that U.S. interest in the region is waning and American power is in decline."⁶⁷

There is general consensus in the region that continued economic liberalization in China is

positive and should be actively supported. However, there is no guarantee that an economically strong China will automatically be a friendly and accommodating neighbor. Chinese actions and attitudes regarding the Spratlys are viewed by many as a good litmus test of what kind of China will emerge in Asia. Bottom line: the countries of the Pacific Rim realize China is making an entrance into the world markets, both politically and economically. The hope is that China can emerge as a responsible member of the region and establish stable trading relationships. The fear is that if China does enter regional politics in an aggressive, hegemonic manner, there is little the surrounding countries can do about it and the only counter is continued, significant U.S. presence.

U.S. & Chinese National Interests -- Cooperation and Conflict

China and the U.S. have interesting mutual and conflicting interests in the region. China actually needs U.S. presence in the short term to stabilize N. Korea, while China develops trading markets, as well as deter Japan from starting an arms race and even possibly seeking nuclear status. At the same time China openly wants the dissipation (even dissolution) of U.S. presence in the region, particularly U.S. leadership. Any stable arrangement in the East Asia - Pacific Rim must be built upon a four nation security foundation: U.S., China, Japan, and Russia. However, China sees herself as the regional leader with only room enough for one Pacific Rim dominant voice. She shuns multilateral security and economic agreements, preferring to seek bilateral allegiance with individual, small countries.

It is in America's interest to nurture China's coherent transition to modernity. A rapidly growing but stable China will be a large future market for U.S. goods. China represents our second largest trade deficit as we import one third of her exports. A growing Chinese economy, hungry for further investments would reverse that trend. Equally important is an absolute necessity that China not upset the current trade relationships that exist between the U.S. and Taiwan, South Korea, Hong

Kong, Singapore, Japan, etc. Additionally, a prosperous China, one that is well integrated into world trading and political systems, is likely to be a better international citizen. That would translate into more concern devoted to reforming human rights issues and abiding by international trade practices, i.e., honoring intellectual property rights, and financial and environmental issues. A secure and cohesive China will feel less need to build up its military and demonstrate its toughness; it will not confront the world with large refugee flows and internal warfare or invite external intervention due to political fragmentation. An approach that alienates China, such as denying membership in the WTO, or tying MFN status to human rights issues, is counter-productive and known not to impress the Chinese. They are not intimidated. There is great truth in the notion of "few real options." The Chinese will go their own way in any event and by retreating from China or "containing" China, the Western world will lose whatever capacity it does possess to influence Chinese thinking and infant-stage reform altogether. A growing China, respected, not snubbed or bullied as she has been the past 150 years, is less likely to be a security threat and assert interests that could harm prosperity and regional progress. Dependence on the outside world will deter Beijing from contemplating any acts that might offend foreign governments or jeopardize China's access to international capital, technology and markets. The same international links that promote Chinese growth and prosperity also work toward Chinese docility.

Political decay in China, or a perceived slowdown in Chinese economic reform, will translate into utter chaos in the streets and the military taking over direct control of the near-term future with possibly disastrous human rights consequences. This scenario would not be in the interests of any regional country and it is incumbent upon U.S. engagement and enlargement to see the above situation does not come to fruition, despite U.S. and Western differences with China on certain political and economic issues.

CHAPTER VI

THE QUESTION OF U.S. LEVERAGE IN POTENTIAL CONFLICTING INTERESTS

"Our interests and ideals compel us not only to be engaged, but to lead... Throughout the Cold War, we contained a global threat to market democracies; now we should seek to enlarge their reach, particularly in places of Special significance to us. The successor to a doctrine of containment must be a strategy of enlargement -- enlargement of the world's free community of market democracies. During the Cold War, even children understood America's security mission...they knew we were trying to contain the creeping expansion of that big, red blob. Today, at the risk of oversimplification, we might visualize our security mission as promoting the enlargement of the 'blue areas' of market democracies."⁶⁸

Anthony Lake, National Security Advisor

U.S. National Security Strategy of Engagement and Enlargement⁶⁹ is composed of three parts:⁷⁰

- To enhance our security by maintaining a strong defense capability and employing effective diplomacy to promote cooperative security measures;
- To promote America's prosperity at home with economic revitalization by opening foreign markets and spurring global economic growth; and
- To promote democracy abroad.

Current Status of U.S. -- Chinese Foreign Policy Interaction

Engagement with China needs to be a primary foreign policy agenda item. The Secretary of Defense is pursuing cooperative security engagements with China for four main reasons:⁷¹

- Security engagement enables the U.S. to influence China's policies in ways that will help curb the spread of weapons of mass destruction;
- To influence China to play a positive role in regional instability where U.S. interests are at stake, such as on the Korean Peninsula;
- To open lines of communication with the People's Liberation Army... the PLA is a major player in Chinese politics and wields significant influence on such issues as Taiwan, the South China Sea and proliferation;
- By engaging the PLA directly the U.S. can help promote more openness in the Chinese national security apparatus, including its military institutions -- transparency about Chinese strategic intentions, military procurement, defense budgeting, and operating procedures will greatly reduce tensions among China's neighbors and reduce the chance of misunderstandings, incidents, or escalation through an arms race.

Leverage and the Political, Economic, and Military Means of Influence

China does not see herself as a hegemonic power and legitimizes her actions in the context of domestic rule and the return of her original borders of her "birthright." Therefore all her wars and expansionist moves have occurred on her "own" soil. China views many issues such as Taiwan, the Spratlys, the Paracels, and NE Asia, as domestic issues and passes domestic laws to address what the rest of the world views as international issues with applicable international laws.

China will push its defense establishment hard to acquire a regionally credible force capable of realizing their national goals in maintenance of sovereignty and basic defense of their territories and mainland. Although defense is their fourth modernization priority, it is given that position only due to their assessment of no immediate serious threat for the next 10-15 years; in reality it enjoys a much higher status than that in the context of long-term foreign policy. The post-Deng era may not see the PLA act as it has in the past. The desire to assert their role and intervene in domestic politics may rise; "whereas before, the PLA's role in political intervention was as an instrument of leading players in the power struggle rather than as an instrument of aspiring rulers themselves."⁷² Mao and Deng had a "mantle" of control that is likely not to transfer to the new regime.

Privately, China is pragmatic about U.S. presence in Asia; they acknowledge historical justification for U.S. presence and that such presence is a feature of regional security that detracts from or negates any need for Japan to play a larger military role.⁷³ The rising political profile of the PLA, in concert with uncontrollable profit seeking activities, will ensure continued double-digit growth for the defense budget and continued upgrading of the PLA capability. While that can present a sobering picture it must be remembered that long term instability is incompatible with the profit making that has already whetted the appetites of the PLA soldiers and leadership.

U.S. military presence in Asia no longer provides the same degree of collateral political

influence that it did during the Cold War and will not by itself serve as an adequate response to Asia's changing security requirements. Instead, a web of mutually beneficial international economic and security relationships, such as ARF, that Asians develop among themselves is what will stabilize long term regional peace.

Military openness with China will be required as a strong component of future U.S. efforts to encourage cooperative Chinese behavior in international affairs. U.S. forces will need to look for ways to interact constructively, e.g., military-to-military exchanges, and joint naval and land exercises. Bilateral military exchanges would provide an avenue for articulating U.S. policy and objectives to a key, highly nationalistic segment of the Chinese leadership; reduce Beijing's isolation and suspicious views toward a U.S. adversarial role; and by demonstrating U.S. capabilities, would also show resolve and hedge against the worst-case scenario of an expanding, aggressive China. Presently, Beijing is very wary of and distrusts the U.S., who she views as inconsistent in policy. She views the U.S. stance of barring China from the World Trade Organization as a containment policy. Even Japan and other Asian nations criticize the U.S. for linking human rights in trade negotiations.

China has not managed the issues of inflation, income inequity, and social unrest as well as other Asian nations due to her lack of institutional mechanisms and capacity. She has new elites (business, student, and professional) that operate outside the state apparatus and the Communist Party has less control over workers and peasants because of urbanization, migration, and new channels of communications. These areas can be exploited diplomatically and economically.

Although democracy is not likely to break out any time soon, we must engage their centrally controlled government. Many senior Chinese leaders are on record in high-profile remarks as saying that peace is needed in the region if China is to pursue its policy of modernization. China would therefore try to keep developments in the region moving peacefully.

CHAPTER VII

RECOMMENDED U.S. NATIONAL POLICY AND STRATEGY

Given the various implications and complexities of U.S. and Chinese policies, and assessing the common characteristics of all China variants in 2015, the recommended course of action and National Strategic Policy to bring about a "best case" China should include:

- Strengthen and expand high (Presidential/SECSTATE/SECDEF) and mid-level official and unofficial contacts with Chinese civilian and especially military leaders -- currently the area of most distrust and misunderstanding. This will more clearly communicate U.S. positions and motives.
- Engage China in cooperative economic and security confidence building measures, but not tie international trade negotiations with Chinese domestic affairs. Avoid vaguely defined and/or broadly punitive economic or diplomatic actions against China. Avoid any actions that could be viewed as attempts to influence the outcome of a severe leadership succession struggle or to take advantage of China's internal disarray. Avoid U.S. tendency to promote democracy above all else. Let economics take its course.
- MEN should not be withdrawn or further conditioned as it will be counter-productive. It is necessary to work out a stand-alone vigorous, positive, and comprehensive human rights policy so as to avoid further debilitating argument over this issue and divorce it from economic and political progress.
- Visibly support China's constructive integration into the international effort to limit proliferation of weapons of mass destruction and foster transparency in its defense programs, strategy, doctrine and budget.
- Take a tough but realistic stance on issues that now have bipartisan support with reference to China's performance on human rights and religious freedom, weapons and technology proliferation, and intellectual property and trade. This stance must not position the U.S. into a corner of forced action or derail Chinese economic reform and internal growth.
- Establish greater coordination and communication on China policy with regional allies and friends, such as Japan, South Korea, Australia and key ASEAN countries. Explore new "cooperative security" approaches through such avenues as the ASEAN Regional Forum. This would reinforce a balanced approach to Pacific Rim foreign policy, curbing Chinese fears of containment as well as showing resolve to China regarding our other allies.
- Maintain current U.S. military force levels in Japan and S. Korea. Clarify the distinction between U.S. military and a defensive oriented Japanese military. Revitalize a strong U.S.-Japan security relationship as well as reaffirm strong commitments to S. Korea.

- Maintain current U.S. policy⁷⁴ regarding Taiwan, reaffirm our position of "One China" and the criteria for a *peaceful resolution as the tripwire for U.S. involvement*. Deemphasize our willingness to come to Taiwan's aid in a *carte blanche* manner -- only if victimized by an aggressor. Stress the popular theme of two separate peaceful governmental systems vice "two Chinas."
- Although the U.S. needs to articulate clear policy, particularly in support of a peaceful resolution over Taiwan and the Spratlys, a degree of "studied ambiguity" regarding U.S. actions and/or intentions is a good strategic position, with both Beijing and Taipei in order to not allow either country to pull U.S. diplomatic puppet strings.
- Given the likelihood of China exercising military power if her sovereignty over Taiwan is threatened, the U.S. should strongly discourage Taiwan in making any overt moves to independence. To China, it needs to be articulated clearly that it is in our national interest, with all that that means, that peaceful resolution is paramount.
- Engagement across all spectrums of political, economic, and military regimes is the right approach, *BUT not at any price*. An "eye wink" and accommodation are tools, not objects for use in blackmail by China. A clear position must be articulated, for the Chinese will stretch it and test it, and respect it only if the U.S. is willing to put some teeth into the position.

The goal should be a well-thought-out strategy of engagement/enlargement; and the endstate should be China as an ally. Care should be taken to divorce emotional and humanitarian issues from political and economic realities and policies required to negotiate China into the industrialized world.

A policy is required that will not tie our hands in negotiations on cultural principle or the U.S. and Beijing will continue to have routine and possibly significant misunderstandings. "She currently views us as an enemy and misinterprets our engagement policy as a containment policy."⁷⁵ Successful relations with China in the long term can emerge, but will require dialogue at the highest level (Presidential, SECSTATE and SECDEF), mil-to-mil exchanges, clear foreign policy, and support of the "one China-two systems" framework with respect to Taiwan.

In Summary

The U.S. should continue its policy of engagement, with occasional State-level complaints over human rights and intellectual property piracy, for in areas we cannot effect.. *"in reality there are no other options."*⁷⁶ By investing in China and expanding economic ties, the United States is banking on the expectation that the growing awareness and aspirations of the Chinese people will act as a positive influence on China's leaders; and that (at least some of) the latter will therefore choose the road leading to good profit margins instead of a hegemonic policy leading to regional economic and diplomatic instability.

Perhaps the greatest road block to achieving the stated political endstate of engagement with China, requiring significant U.S. political interaction and possibly even compromise, is the mindset of the American public that the status quo is acceptable unless they are personally affected. The lack of an immediate threat on the horizon has a numbing affect on the American will to look abroad, particularly if it involves dollars or soldiers' lives. This is one area of the world where the future is being written today and foreign policy cannot go neglected or be given lip service.

"Engagement recognizes that the best way for changing China's policies that we don't like is through firm diplomacy and dialogue. It recognizes that Chinese policies are unlikely to be changed by hostility, rhetoric and confrontation, and it recognizes that even when we strongly disagree with China, we cannot make our entire relationship hostage to a single issue -- that we still have security reasons for maintaining lines of communication."⁷⁷

Dr. William J. Percy. Secretary of Defense

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- ⁶³Dadush, Uri and Dong He, "China: A New Power in World Trade," *Finance and Development*, Vol. 32, June 1995, 37.
- ⁶⁴Knocking Knees," *The Economist*, 16 March 1996, 40.
- ⁶⁵Harry Harding. The Evolution of Greater China and What It Means for America, National Committee on United States-China Relations, Inc., China Policy Series No. Ten, New York, December 1994, 38-40.
- ⁶⁶"Jiang Seeks Amicable Ties in Asia, Pacific," *Beijing Review*, 28 Nov-4 Dec 1994, 4.
- ⁶⁷Ralph A. Cossa, *Confidence and Security Building Measures: Are They Appropriate for Asia?*, Pacific Forum CSIS, Honolulu, Hawaii, 1995, 5.

⁶⁸Lake, "U.S. Global Engagement," 41.

⁶⁹"Within the strategy of enlargement are four main tenets. First, enlargement demands strengthening of the core or community of major market democracies. Second it requires we help foster new democracies and market economies, especially targeting states of special significance and opportunity. Third, we need to counter aggression and threat and support the liberalization of states hostile to democracy and markets. And fourth, a strategy of enlargement involves engagement in the pursuit of our humanitarian agenda to reduce suffering; to help resolve regional conflicts; and to foster democratic, sustainable development not only by providing aid, but also by working to help democracy and market economics take root in regions of greatest humanitarian concern." (Lake, "A Strategy of Enlargement and the Developing World," 92)

⁷⁰U. S. President, A National Security Strategy of Engagement and Enlargement, The White House, February 1996, 3.

⁷¹William J. Perry, *U.S. Strategy: Engage China, Not Contain It*, Remarks delivered to the Washington State China Relations Council, Seattle, WA, October 30, 1995, Defense Issues, Vol. 10, No. 109, 2.

⁷²Lin, 35.

⁷³Robert S. McNamara, David E. Jeremiah, David M. Lampton, and others, *Sino-American Military Relations: Mutual Responsibilities in the Post-Cold War Era*, National Committee on United States-China Relations, Inc., China Policy Series No. Nine, New York, November 1994, 18.

⁷⁴U.S. -- China policy is based on three joint communiqués--the Shanghai Communiqué of February 1972, the December 1978 communiqué on normalization, and the 17 August, 1982 communiqué on weapons sales to Taiwan. Additionally, the Taiwan Relations Act of 1979 establishes the criteria of a peaceful resolution and the U.S. helping Taiwan defend itself.

⁷⁵James A. Kelly, "Northeast Asia Issues," Pacific Forum - CSIS, Marine Corps War College Seminar, March 15, 1996.

⁷⁶Gregor, March 4, 1996.

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